

CITY COUNCIL REPORT



Meeting Date: November 20, 2013
 Charter Provision: *Provide for the orderly government and administration of the affairs of the City.*
 Objective: *Determine Policies*

ACTION

Consider the approval of the City of Scottsdale's 2014 State Legislative Agenda.

BACKGROUND

Each year the Government Relations Office, in concurrence with the City Council, staff, and the City Manager, develops a State Legislative Agenda (Agenda) based on priorities and needs of the City and community. Once approved by the City Council, the Agenda provides guidance for activities occurring at the Arizona State Legislature during the Legislature's annual session. This year, the First Regular Session of the 51th Legislature will convene on Monday, January 14, 2013.

The Government Relations Office staff will appear before the Scottsdale City Council on a regular basis throughout the session to provide updates and seek additional direction as needed.

ANALYSIS & ASSESSMENT

Significant Issues to be Addressed

The 2014 State Legislative Agenda features a *Mission Statement* and three sections: *Core Principles*, *Policy Statements*, and *Proposed Legislation*. The *Core Principles* give general direction on issues of significant overall importance to the City. The *Policy Statements* section identifies requests to support or oppose legislation or legislative concepts, should they arise during the Session. The *Proposed Legislation* section identifies specific legislation the City will introduce and seek favorable support during the legislative session. If approved, the Agenda will serve to guide the lobbying activities of the Government Relations Office in regard to issues that arise under their purview.

In the development of the Agenda, the Government Relations Office is attempting to integrate elements contained in the City of Scottsdale's General Plan with the provisions of the Legislative Agenda. The General Plan provides a declaration of the City's policies and is used by the City Council to evaluate policy changes and to make funding and budget decisions. The current General Plan contains twelve elements that prescribe the City's policies on character and design, land use, economic vitality, community involvement, housing, neighborhoods, open spaces and recreation,

City Council Report | Consider Approval of 2014 State Legislative Agenda

preservation and environmental planning, cost of development, growth areas, public services and facilities, and community mobility. The requests contained in the Agenda's *Policy Items* section are listed under the heading of one of the twelve elements of the General Plan.

RESOURCE IMPACTS

Future Budget Implications

Adoption of the 2014 State Legislative Agenda does not require funding. However, actions by the Legislature can have an impact on the City's budget. For example, the City Council adopted FY 2013/14 General Fund revenues which include \$50.3M in state-shared revenues (\$18.8M Sales Tax, \$24.3M Income Tax and \$7.2M Auto Lieu Tax) or 21% of General Fund Revenues and Cash Transfers In. These state-shared revenues represent 22% of the City's General Fund Operating Budget of approximately \$230.8M.

OPTIONS & STAFF RECOMMENDATION

Recommended Approach

Approve 2014 State Legislative Agenda with any changes supported by the Council.

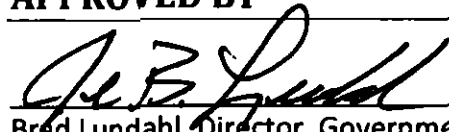
RESPONSIBLE DEPARTMENT(S)

Government Relations

STAFF CONTACTS (S)

Brad Lundahl, Government Relations Director, blundahl@scottsdaleaz.gov

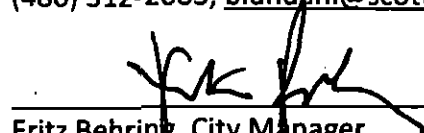
APPROVED BY



Brad Lundahl, Director, Government Relations
(480) 312-2683, blundahl@scottsdaleaz.gov

11-5-13

Date



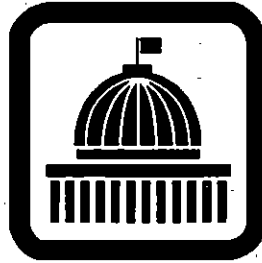
Fritz Behring, City Manager
(480) 312-2811, fbehring@scottsdaleaz.gov

11/5/13

Date

ATTACHMENTS

1. Proposed 2014 State Legislative Agenda



**City of Scottsdale
2014 State Legislative Agenda**

51st Arizona Legislature
Second Regular Session
2014

City of Scottsdale

2014 State Legislative Agenda



MISSION

The mission of the City of Scottsdale is to cultivate citizen trust by fostering and practicing open, accountable, and responsive government; providing quality core services; promoting long-term prosperity; planning and managing growth in harmony with the city's unique heritage and desert surroundings; strengthening the city's standing as a preeminent destination for tourism; and promoting livability by enhancing and protecting neighborhoods. Quality of life shall be the city's paramount consideration.

CORE PRINCIPLES

Protect Scottsdale's Quality of Life

Protect those attributes that make Scottsdale unique and desirable. These may include: safe neighborhoods; a Sonoran Desert lifestyle; arts and culture; land preservation and open space; a vibrant and diverse economy; efficient transportation; and high standards of aesthetics, public amenities and levels of service.

Preserve Local Funding

Protect existing funding and authorities that bring revenue to the City of Scottsdale, which support the quality of life for its residents. Such areas may include the protection of state-shared revenues; the ability to collect compensation for the use of a public right-of-way; and opposition to the imposition of new fees by other levels of government that would increase costs to the City.

State Shared Revenues – Arizona voters chose, through a series of initiatives, to return a portion of tax revenues back to local communities through revenue sharing. This was provided to municipalities in exchange for losses in local taxing authority such as income and luxury taxes. The City Council adopted FY 2013/14 General Fund revenues that include \$50.3M in state shared revenues (\$18.8M Sales Tax, \$24.3M Income Tax and \$7.2M Auto Lieu Tax) or 21% of General Fund Revenues and Cash Transfers In. These state-shared revenues represent 22% of the City's General Fund Operating Budget of approximately \$230.8M.

Oppose Preemption of Local Authority

Support the retention of local decision-making authority. Scottsdale was voluntarily created by the residents of this community to provide local self-government and to allow the Scottsdale City Council to make decisions at a local level that best meet the needs of the community. Scottsdale has unique needs and characteristics that are best met by policies set by its own local governing body. Unfunded mandates and preemptive efforts to remove the ability to set policy at the local level should be opposed.

POLICY STATEMENTS

ECONOMIC VITALITY

Economic Vitality – A strong and vibrant economy is essential to the quality of life for the City's residents, businesses, and visitors. Economic vitality is one of the primary goals of the City of Scottsdale.

- ***SUPPORT working with the State, other governments, and private enterprises to identify sustainable economic growth opportunities.***
- ***SUPPORT policies that promote and encourage a positive business climate to enhance Arizona's competitive efforts to attract and retain high wage jobs and encourage capital investment.***
- ***SUPPORT policies that reduce costly administrative burdens on small and medium sized business, to encourage a business environment that can capitalize on the vision and skills of Arizona's entrepreneurs.***
- ***OPPOSE efforts that would create additional regulatory or administrative hurdles to the local economic engine.***
- ***SUPPORT the municipal airport system and its value as an economic driver.***
- ***OPPOSE efforts to reduce regional airport funding that will negatively impact operations or expansion.***
- ***SUPPORT research and development state tax credits to encourage business innovation.***

HURF Restoration – The Highway User Revenue Fund (HURF) is comprised of motor fuel taxes, vehicle license taxes, and other fees. It is designated for highway construction and transportation infrastructure improvements at the State and local level. The City of Scottsdale uses its HURF allocation for street maintenance and planning of future transportation infrastructure projects. In FY08, the Arizona Department of Public Safety (DPS) was allocated \$12.9M of HURF revenues for operations. Since 2008 the amount of funding DPS receives from the HURF has risen each year to the level of \$123.2M in FY12.

- ***SUPPORT the continued viability of HURF funding to cities and towns and support phasing down the percentage of HURF revenues being used to fund the Arizona Department of Public Safety.***

Tourism – Tourism encompasses transportation, catering, accommodations, recreation, and other services for travelers. In 2012, Scottsdale hosted an estimated 8.9 million visitors with a \$3.39 billion impact to the City. Tourism had an estimated \$18 billion impact to the State of Arizona and is one of the State's largest industries and job creators. Efforts are needed to expand tourism in the state in order to create more jobs and a more favorable image of Arizona throughout the nation and the world.

- ***SUPPORT efforts to increase the visibility of Arizona, Scottsdale and other Arizona cities and towns as being tourism destinations.***
- ***SUPPORT restoring funding for the Arizona Office of Tourism and encourage collaboration with the Arizona Commerce Authority.***

Transaction Privilege Tax; Prime Contracting – In May of 2012, Governor Brewer signed an Executive Order establishing a *Transaction Privilege Tax Simplification Task Force*. The panel of tax experts, municipal representatives, business owners and others was asked to identify ways in which Arizona's sales tax code could be simplified. The Task Force released a report that resulted in legislation (H.B. 2111) being introduced and passed during the 2013 legislative session.

H.B. 2111 made changes to how transaction privilege tax (TPT) is paid to local governments and the State and how audits are conducted by both levels of government. The early version of the TPT legislation proposed changing the Prime Contracting classification – so that all future TPT collections would occur at the point where construction materials are purchased. The Prime Contracting provisions did not receive a majority of support from legislators and was ultimately removed from the bill.

The City has estimated that the initial loss of revenue from the implementation of H.B. 2111 will be approximately \$4M in FY15/16 when the provisions of the bill are fully enacted.

Because of the potential revenue loss to the City and the lack of reliable data identifying the impacts of changing the Prime Contracting classification, the City cannot support substantial changes to or the elimination of the Prime Contracting classification.

- ***OPPOSE changes to the Prime Contracting tax code that would have negative impacts to City of Scottsdale revenue streams.***

NEIGHBORHOODS AND PUBLIC SAFETY

Fireworks – In 2010, H.B. 2246 legalized the sale of consumer fireworks throughout Arizona. While the sale of consumer fireworks is now mandated, the bill provided the authority for a city or town to ban the use of consumer fireworks within its boundaries.

- ***OPPOSE efforts to preempt the local control of the use of fireworks.***

Fire Code – The primary purpose of a fire code is the prevention of fires, ensuring that necessary training and equipment will be on hand, and that the original design basis of a home or building does not compromise the safety of its occupants.

- ***MONITOR legislation that negatively impacts the City's Fire Code or its ability to enforce its Fire Code provisions.***

Public Safety Plan Ordinances – On September 10, 2013 the Scottsdale City Council approved a Public Safety Plan Ordinance. The purpose of the ordinance is to promote the general health, safety and welfare of our community by requiring certain types of businesses – mostly bars – to file, follow and keep current a public safety plan.

- ***OPPOSE legislation that would preempt a city or town from establishing or having a public safety plan ordinance.***

PRESERVATION AND ENVIRONMENTAL PLANNING

Salinity – Water is a scarce resource in the arid Southwest and the availability of good quality water resources is approaching full utilization in many Arizona communities. Rising levels of salinity in Arizona's water systems, if left unchecked, will lead to increased treatment costs and possible shortages of usable water. Salinity is the total amount of minerals (also known as salts) that are dissolved in water. Salts can be made of sodium chloride (regular table salt) or other minerals such as potassium, calcium, or magnesium.

- ***SUPPORT efforts to mitigate salinity accumulation, including collaborative measures to minimize or eliminate sodium chloride from water softeners.***

Forest Restoration/Watershed Management – There are millions of acres of diseased, dying, and overgrown forests that have created a widespread forest health problem. The poor condition of these forests has dramatically increased the effects of insect infestation, understory overgrowth, and unnatural fire

conditions. The forest health problem is widespread and is affecting wildlife habitat, watershed management, and increasing the dangers to human life and property.

- ***SUPPORT legislative efforts to bring about changes in forest management with the goal of enacting effective and large-scale forest restoration efforts for Arizona and other western forests to improve forest health, increase water yield, and reduce the risks from catastrophic wildfires.***

PUBLIC SERVICES AND FACILITIES

Street Light Improvement Districts; Consolidation; O & M – Street light improvement districts (SLIDs) are mechanisms for residents to integrate street lights into their neighborhood and pay the costs for street lighting. The City of Scottsdale currently maintains 355 street light districts. In addition to the City maintained districts, there are approximately 30-40 street light districts within Scottsdale corporate boundaries that are currently being maintained by Maricopa County.

Each year, the City Council adopts an ordinance levying a special taxing district property tax in an amount sufficient to pay the energy costs of each of the street light districts. After the Council adopts the ordinance, Maricopa County levies and collects a property tax from those districts – which is ultimately remitted to the City and used to pay the utility bills.

Under current state law, SLIDs are not authorized to levy for the operation and maintenance costs of street lights. As a result, SLIDs operation and maintenance costs are paid by all Scottsdale taxpayers – rather than those who directly benefit from the street light facilities in their districts.

Successful passage of legislation could benefit the City by streamlining the piecemeal process of acquiring the County SLIDs and authorizing SLIDs to levy for operation and maintenance in addition to energy costs. Savings to the City would be realized from the reduction of staff time to acquire the County SLIDs and from the operation and maintenance costs being paid by the direct beneficiaries of the SLID.

- ***SUPPORT legislation that would allow a city, which has county managed street light improvement districts established within the city's corporate boundary, to assume their jurisdiction.***
- ***SUPPORT legislation that would authorize street light districts to levy and expend funds for operation and maintenance of the lighting facilities in addition to the payment of energy costs.***

Water Service – PROTECT and enhance the City's ability to provide safe, sustainable, and reliable water and wastewater services to the citizens of Scottsdale at a reasonable cost. Examples of legislation that may fall under this statement include:

- Legislation to ensure the City's role in the management and continued use of reclaimed water and surface water.
- Legislation to increase supplies of water through efficiency improvements or natural resource management.
- Legislation to maintain municipal access to supplies of Central Arizona Project delivered water.

PROPOSED LEGISLATION

Bill #1: Traffic Congestion – Downtown Scottsdale is a vibrant area of broad economic activity. However, there are some areas of the downtown that are experiencing unusually high levels of traffic congestion due to the popularity of these areas and the high visitation rates during peak hours.

As a result of the increased traffic congestion, the ability of the City's police and fire personnel to respond to emergencies is greatly diminished – resulting in a potential threat to the public's safety and general welfare.

A review of these highly congested areas indicates that a large majority of the traffic is the result of taxis and passenger carts drawn to the area seeking passengers. The City must ensure that public safety personnel and equipment are able to quickly respond to emergencies and steps must be taken to control the volume of taxi traffic in key areas of the City.

- ***SEEK legislation that would give the City Council the statutory authority to control high traffic volume from taxis and motorized carts in specified areas of the City to ensure the timely response to public safety situations.***

Bill #2: Non-Transferable Liquor License – Current state law allows a restaurant to obtain and possess a liquor license (Series 12) as long as the restaurant derives at least forty percent of its gross revenue from the sale of food. If a restaurant cannot meet this minimum requirement, the State will require the restaurant to obtain a costlier bar license (Series 6). The number of Series 6 bar licenses are limited by the State and can only be obtained by buying a license from an existing bar license holder or through a limited State-run lottery.

The cost difference between a Series 12 restaurant license and a Series 6 bar license is substantial – due to the limited number of available Series 6 licenses.

Restaurants that cannot meet the forty percent requirement must make the decision of altering their business plan, which may prove to be unprofitable, or purchasing a Series 6 bar license. If the restaurant chooses to purchase the Series 6 bar license, it is transferrable to anyone who later purchases the restaurant. The new owner could choose to continue to operate the restaurant or, now that they possess a Series 6 bar license, convert the restaurant to a full bar.

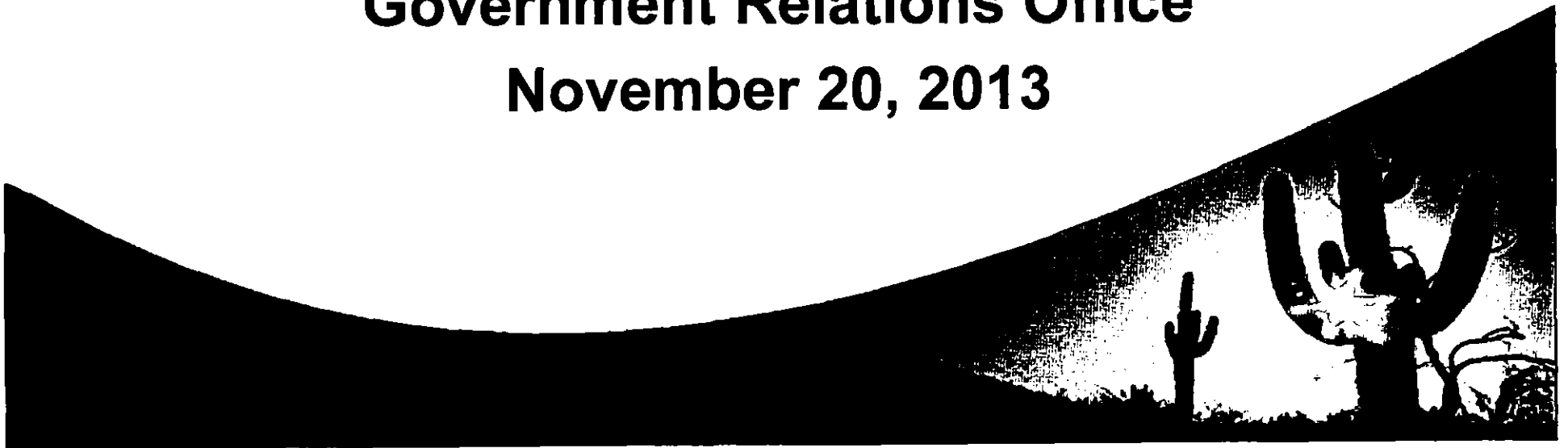
To promote the continuation of these restaurants, the City is interested in creating a non-transferable bar license. By obtaining a non-transferable bar license, a restaurant that cannot meet the State's forty-percent food revenue requirement may continue to operate, but could not transfer the rights and privileges of the non-transferable bar license to a future owner.

- ***SEEK legislation that would create a new non-transferable bar liquor license for purchase by restaurant liquor license holders.***



Proposed 2014 State Legislative Program

**City of Scottsdale
Government Relations Office
November 20, 2013**



2014 State Legislative Program

- Second Regular Session of the 51st Legislature begins January 14, 2014
- Senate President Andy Biggs (R- Gilbert)
- Speaker of the House Andy Tobin (R- Prescott Valley)

2014 State Legislative Agenda

- Input from City Leadership
- Three Sections
 - Core Principles
 - Policy Statements
 - Proposed Legislation
- Incorporation of General Plan Elements
 - 12 Elements

2014 State Legislative Program

- For consideration tonight:
 1. Add, subtract, or amend Legislative Agenda.
 2. Consider approval of 2014 State Legislative Agenda.

Core Principles

- Protect Scottsdale's Quality of Life
- Preserve Local Funding
- Oppose Preemption of Local Authority

Economic Vitality

- **SUPPORT** working with the State, other governments, and private enterprises to identify sustainable economic growth opportunities.
- **SUPPORT** policies that promote and encourage a positive business climate to enhance Arizona's competitive efforts to attract and retain high wage jobs and encourage capital investment.
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Economic Vitality

- OPPOSE efforts that would create additional regulatory or administrative hurdles to the local economic engine.
- SUPPORT the municipal airport system and its value as an economic driver.
- OPPOSE efforts to reduce regional airport funding that will negatively impact operations or expansion.
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Economic Vitality

- **Highway User Revenue Fund**
 - In FY08, \$12.9M HURF monies were reallocated to the DPS. In FY12, \$123.2M HURF monies to DPS.
 - SUPPORT the continued viability of HURF funding to cities and towns and support phasing down the percentage of HURF revenues being used to fund the Arizona Department of Public Safety.

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- **Tourism**

- SUPPORT efforts to increase the visibility of Arizona, Scottsdale and other Arizona cities and towns as being tourism destinations.
- SUPPORT restoring funding for the Arizona Office of Tourism and encourage collaboration with the Arizona Commerce Authority.

Economic Vitality

- **Transaction Privilege Tax; Prime Contracting**
 - Legislature passed H.B. 2111 last year.
 - Changes to audits, collections, and point of taxation of the service repair industry.
 - Did not include changes to Prime Contracting.
 - H.B. 2111 estimated to cost Scottsdale \$4M in lost revenue (FY15/16).

Economic Vitality

- **Transaction Privilege Tax; Prime Contracting**
 - OPPOSE changes to the Prime Contracting tax code that would have negative impacts to City of Scottsdale revenue streams.

Neighborhoods

- **Fireworks**
 - OPPOSE efforts to preempt the local control of the use of fireworks.
- **Fire Code**
 - OPPOSE legislation that negatively impacts the City's Fire Code or its ability to enforce its Fire Code provisions.

Neighborhoods

- **Protect Public Safety Plan Ordinance**
 - OPPOSE legislation that would preempt a city or town from establishing or having a public safety plan ordinance.

Preservation & Environmental Planning

- **Salinity Control**
 - SUPPORT legislation to mitigate salinity accumulation, including collaborative measures to minimize the impacts of sodium chloride from water softeners.

Preservation & Environmental Planning

- **Forest Restoration**
 - SUPPORT legislative efforts to bring about changes in forest management with the goal of enacting effective and large-scale forest restoration efforts to improve forest health, increase water yield, and reduce the risks from catastrophic wildfires.

Public Services & Facilities

Street Light Improvement Districts; O & M; Consolidation –

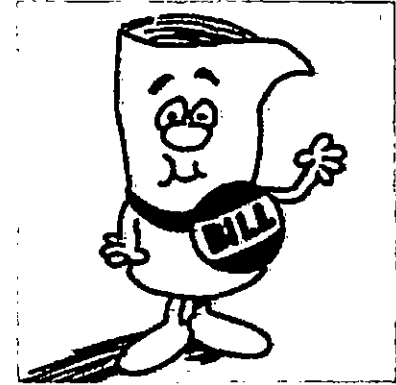
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Proposed Legislation

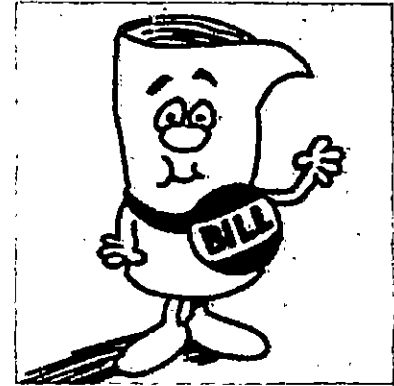
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***Proposed 2014 State
Legislative Program***

City of Scottsdale
Government Relations Office
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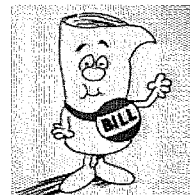
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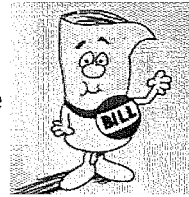
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